

Guidelines for Self-funding Energy Efficiency

BPA is approaching energy efficiency funding under the Post-2011 framework with the planning assumption that our public utility customers will self-fund 25 percent of the programmatic energy efficiency necessary to meet public power's share of the savings target in the Council's Sixth Power Plan. This 25 percent figure does not create goals or targets for any specific utility; rather it is an aggregate target for BPA's public utility customers. It is critically important for utility customers to report all qualifying, cost-effective self-funded energy efficiency in order to ensure public power effectively achieves our regional targets.

From a regional perspective, funds spent by utilities in addition to BPA's maximum willingness to pay act to increase the total cost of the savings BPA has budgeted for rather than capture new savings and, therefore, are not considered as self-funded. For explanatory purposes, assume an annual public power target of 100 aMW of programmatic savings. BPA sets its budget (i.e., its maximum willingness to pay on aggregate) at \$150M by estimating it will cost, on average, \$2M per aMW to achieve 75 percent of the target. This budget assumes that the remaining 25 percent of the 100 aMW target will come from utility self-funding. If utilities fully invoice BPA for \$150M and choose to pay more generous incentives to their end-users totaling, for example, \$200M, more funding is provided, but no incremental savings are achieved. This additional \$50M only increases the cost of the savings tied to BPA funding and, since no new savings are achieved, could jeopardize the ability to achieve public power's energy efficiency target. Thus kWh savings achieved by utility self-funding is what is important not the amount of money spent.

Self-funding entails paying for the savings associated with a measure or project without BPA reimbursement or accepting less reimbursement than BPA's maximum willingness to pay.¹ Utilities can accept an amount less than BPA's total willingness to pay by: a) invoicing BPA for some but not all deemed measures; and/or, b) invoicing BPA for partial reimbursement on individual custom projects. All self-funded savings must follow BPA requirements for reportability in the current Implementation Manual. To better illustrate what will be considered self-funded energy efficiency, we have provided the following examples:

Deemed Measures

Not Self-funding	Total				
Measure	CFL	CFL	CFL	CFL	4 CFLs
BPA's maximum willingness to pay	\$1.00	\$1.00	\$1.00	\$1.00	\$4.00
BPA reimbursement requested by utility	\$1.00	\$1.00	\$1.00	\$1.00	\$4.00
Utility's rebate to end-users	\$1.25	\$1.25	\$1.25	\$1.25	\$5.00
Savings from BPA funding (kWh/year)	27	27	27	27	108 kWh/yr
Savings from utility funding (kWh/year)	0	0	0	0	0 kWh/yr

In this example, a utility requests a \$1.00 reimbursement from BPA for each compact fluorescent bulb (CFL) and chooses to offer a \$1.25 rebate for each bulb to its customers. The \$1.00 (25 cents per bulb) paid by the utility in addition to BPA's \$4.00 total reimbursement would represent a 25 percent increase in spending but would not

¹ "Willingness to pay" and "reimbursement" amounts can be but are not always the same, e.g., BPA's "willingness to pay" for a given project may be \$10,000 but the utility may request a "reimbursement" of only \$8,000.

represent a net increase in energy savings. Since the additional \$1.00 provided by the utility to its customers does not result in additional savings above the total savings funded by BPA, it **is not** considered self-funding.

Self-funding

					Total
Measure	CFL	CFL	CFL	CFL	4 CFLS
BPA's willingness to pay	\$1.00	\$1.00	\$1.00	\$1.00	\$4.00
BPA reimbursement requested by utility	\$1.00	\$1.00	\$1.00	\$0.00	\$3.00
Utility's rebate to end-users	\$1.25	\$1.25	\$1.25	\$1.25	\$5.00
Savings from BPA funding (kWh/year)	27	27	27	0	81 kWh/yr
Savings from utility funding (kWh/year)	0	0	0	27	27 kWh/yr

In this example, the utility requests a \$1.00 reimbursement from BPA for only 3 of the 4 CFLs. By not requesting the reimbursement for the fourth bulb, the utility is delivering 25 percent more savings above the total savings funded by BPA's \$3.00 reimbursement. This **is** considered self-funding. Operationally, the utility would select BPA reimbursement as a funding source within EE Central for three CFLs and select "self-funding" for the fourth.

The total amount paid by the utility to the end-user for deemed measures is irrelevant for the purposes of self-funding; utilities can claim savings only up to BPA's maximum willingness to pay. Even when a utility does not seek BPA reimbursement, as in the example above, it will only be credited with self-funded savings up to the amount corresponding to BPA's maximum willingness to pay; in the example above this would be 27kWh of savings. BPA is not able to provide partial reimbursements for deemed measures, so self-funding must occur by invoicing BPA for fewer than the total amount of completed measures.

Custom Projects

For custom projects, utilities will have the opportunity to request a reimbursement amount less than BPA's maximum willingness to pay, and count the difference as self-funding (i.e., the willingness to pay amount less the actual reimbursement amount). In the example shown below, the utility invoices BPA for a reimbursement 25 percent less than BPA's maximum willingness to pay. As long as the project adheres to the reporting rules in BPA's Energy Efficiency Implementation Manual, the \$25,000 would constitute self-funding and, therefore, 25 percent of the savings would be attributed to the utility as self-funded. The example below shows \$10,000 in addition to BPA's maximum willingness to pay. This extra funding represents a utility choice to increase the total project incentive, and would not constitute self-funding since no energy savings are achieved in addition to the total savings corresponding to BPA's \$100,000 willingness to pay. For all custom projects, total willingness to pay as well as savings from BPA funding and self-funding will be calculated upon project completion.

	Self-funding	Not Self-funding
BPA's willingness to pay	\$100,000	\$100,000
BPA reimbursement requested by utility	\$75,000	\$100,000
Utility's rebate provide to end-user	\$110,000	\$110,000
Savings from BPA funding (kWh/year)	300,000	400,000
Savings from utility self-funding (kWh/year)	100,000	0

Industrial Custom Projects

For industrial custom projects and when large project funds are used, utilities must provide BPA with documentation of the total rebate amount paid to the end-user and must pass through to the end-user the full amount of BPA's reimbursement to the utility. For industrial custom projects with variable incentive rates, self-funding will be credited based upon the actual funding received by the end-user minus the amount of BPA funds used. **Credit for self-funding will be apportioned based upon the total energy savings achieved by the project multiplied by the portion of the project funded using utility funds up to BPA's total maximum willingness to pay.**

In the example below, the utility in question requested a \$0.20/kWh reimbursement rate for their industrial projects. This pre-determined incentive rate established an \$80,000 maximum willingness to pay for a 400,000 kWh industrial custom project. Any incentive funds provided to the end-user in excess of the established maximum willingness to pay (such as the \$10,000 shown in the "Not Self-funding" example below) will not be considered self-funding since it does not increase total acquired savings. If the utility chooses not to define a reimbursement rate, BPA will calculate self-funded savings based solely on the total incentive paid to the end-user and the reimbursement amount provided by BPA to the utility.

	Self-funding	Not Self-funding
Energy savings available	400,000 kWh	400,000 kWh
BPA's maximum reimbursement rate	\$0.25/kWh	\$0.25/kWh
BPA's willingness to pay	\$100,000	\$100,000
Utility's requested reimbursement rate	\$0.20/kWh	\$0.20/kWh
Reimbursement created by variable incentive	\$80,000	\$80,000
BPA reimbursement requested by utility	\$60,000	\$80,000
Utility's rebate provided to end-user	\$80,000	\$90,000
Savings from BPA funding (kWh/year)	300,000	400,000
Savings from utility self-funding (kWh/year)	100,000	0

Self-funding and Performance Payments

In addition to reimbursements for energy efficiency savings, BPA allows customers to claim performance payments at a rate of \$0.08 or \$0.04 per kWh of BPA funded savings (for SRR and non-SRR, respectively). Though BPA does not mandate a specific use for these funds, they are intended to support the infrastructure and overhead necessary for utilities to pursue a robust energy efficiency program for their customers. It is BPA's policy that failing to claim performance payments, regardless of the amount of EEI resources dedicated to conservation, does not constitute self-funding. Equally, choosing to claim performance payments, but asking that these funds be provided to the unassigned account, another utility, a pooling organization, or returned to BPA to support regional conservation programs does not constitute self-funding.